

Message Text

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TO AMEMBASSY MADRID

INFO USMISSION OECD PARIS

C O N F I D E N T I A L STATE 018883

E.O. 11652: GDS

TAGS: EGEN, SP

SUBJECT: IEA LONG TERM AGREEMENT

REF : MADRID 463

1. DEPT ENCOURAGED BY REPORT OF SPANISH POSITION ON LONG TERM AGREEMENT CONTAINED REFTEL. HOWEVER, SUBSEQUENT CONVERSATIONS WITH SPANISH OECD DELEGATION INDICATED THAT THEIR PRESENT INSTRUCTIONS STILL REFLECT TECHNICAL RESERVATIONS ON THREE ELEMENTS OF LT PROGRAM.

2. SPANISH APPEAR CONCERNED WITH REQUIREMENT THAT ONCE MSP ACTIVATED IEA COUNTRIES MAY NOT TAKE MEASURES WHICH WOULD ENCOURAGE THE IMPORTATION OF NON-IEA OIL IF THIS WOULD DISPLACE IEA OIL IN THEIR MARKETS. THIS PROVISION
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IS ESSENTIAL TO IEA OIL EXPORTERS AND IS AN IMPORTANT

ELEMENT IN THE BALANCE OF COSTS AND BENEFITS BETWEEN IEA PRODUCERS AND NON-PRODUCERS. IN ANY CASE IT IS PROBABLY NOT PERTINENT TO SPAIN WHICH IN ALL LIKELIHOOD WILL CONTINUE TO DEPEND TO A LARGE DEGREE ON NON-IEA OIL.

3. CURRENT SPANISH INSTRUCTIONS APPEAR ALSO TO REFLECT CONCERN THAT PROVISIONS OF CHAPTER V MIGHT REQUIRE THEM TO ABOLISH THE SPANISH STATE OIL MONOPOLY. AS EMBASSY

PROPERLY NOTED IN CONVERSATION WITH CHAVARRI REPORTED REFTEL, A BASIC ELEMENT OF CHAPTER V IS THAT IT, INDEED DOES NOT REQUIRE DISMANTLING OF EXISTING SPANISH LEGISLATIVE AND ADMINISTRATIVE MEASURES.

4. A THIRD AREA OF SPANISH CONCERN RELATES TO PRESENT EXCLUSION OF NAPHTHA FROM MSP PRODUCT COVERAGE. NAPHTHA ISSUE IS COMPLICATED BUT BECAUSE ITS IMPORTANCE TO SPAIN AND SEVERAL OTHER IEA COUNTRIES THE AGREEMENT CALLS FOR FURTHER STUDY OF CURRENTLY EXCLUDED PRODUCTS WITH A FINAL DECISION ON TREATMENT OF THESE PRODUCTS TO BE MADE BY THE GOVERNING BOARD BY MID-YEAR. WE BELIEVE THAT SPANISH CONCERNS CAN BE SATISFACTORILY ADDRESSED IN THE

PROPOSED STUDY.

5. PRESENT INSTRUCTIONS TO SPANISH DELEGATION PARIS MAY NOT YET REFLECT LATEST EVOLUTION OF THINKING IN MADRID. BECAUSE OF POLITICAL IMPORTANCE OF A DECISION AT GB MEETING, WE WISH TO ASSURE THAT SPANISH GO TO PARIS WITH MAXIMUM FLEXIBILITY. EMBASSY SHOULD CONTACT CHAVARRI AND OTHER APPROPRIATE GOS OFFICIALS TO OBTAIN LATEST READING OF SPANISH POSITION PARTICULARLY IN THREE AREAS INDICATED ABOVE. REPORT RESULTS THESE SOUNDINGS TO DEPT AND U.S. MISSION OECD. INGERSOLL

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